

**ST. MARY PARISH
TOURIST COMMISSION**

Patterson, Louisiana

Financial Report

Year Ended September 30, 2012

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA

Wanda F. Arcement, CPA,CVA
Allen J. LaBry, CPA
Albert R. Leger, CPA,PFS,CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC®
James R. Roy, CPA
Robert J. Metz, CPA
Alan M. Taylor, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Kristin B. Dauzat, CPA
Matthew E. Margaglio, CPA
Jane R. Hebert, CPA
Bryan K. Joubert, CPA
Stephen J. Anderson, CPA
W. Jeffrey Lowry, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Tynes E. Mixon, Jr., CPA 2011

* A Professional Accounting Corporation

OFFICES

183 South Beadle Rd. Lafayette, LA 70508 Phone (337) 232-4141 Fax (337) 232-8660	450 East Main Street New Iberia, LA 70560 Phone (337) 367-9204 Fax (337) 367-9208
---	--

113 East Bridge St. Breaux Bridge, LA 70517 Phone (337) 332-4020 Fax (337) 332-2867	200 South Main Street Abbeville, LA 70510 Phone (337) 893-7944 Fax (337) 893-7946
--	--

1234 David Dr. Ste 203 Morgan City, LA 70380 Phone (985) 384-2020 Fax (985) 384-3020	1013 Main Street Franklin, LA 70538 Phone (337) 828-0272 Fax (337) 828-0290
---	--

408 West Cotton Street Ville Platte, LA 70586 Phone (337) 363-2792 Fax (337) 363-3049	133 East Waddil St. Marksville, LA 71351 Phone (318) 253-9252 Fax (318) 253-8681
--	---

332 West Sixth Avenue Oberlin, LA 70655 Phone (337) 639-4737 Fax (337) 639-4568	1428 Metro Drive Alexandria, LA 71301 Phone (318) 442-4421 Fax (318) 442-9833
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WEB SITE
WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. Mary Parish Tourist Commission
Patterson, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Mary Parish Tourist Commission (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 26 through 28 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 27, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Statement of Net Assets
September 30, 2012

	Governmental Activities
<hr/>	
ASSETS	
Cash and interest-bearing deposits	\$ 904,611
Investments	857,755
Receivables	2,000
Due from other governmental units	118,914
Prepaid expenses	1,778
Capital assets:	
Not being depreciated	4,299,839
Net of accumulated depreciation	315,764
Deferred charges - bond issue costs	<u>16,458</u>
TOTAL ASSETS	<u>6,517,119</u>
LIABILITIES	
Accounts, salaries, and other payables	448,187
Long term liabilities:	
Due within one year	165,000
Due in more than one year	<u>1,365,000</u>
TOTAL LIABILITIES	<u>1,978,187</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,725,284
Restricted for:	
Economic development and tourism	829,213
Unrestricted (deficit)	<u>(15,565)</u>
TOTAL NET ASSETS	<u>\$ 4,538,932</u>

The accompanying notes are an integral part of the financial statements.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Statement of Activities
Year Ended September 30, 2012

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Fees, Commissions, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Governmental activities:					
Culture and tourism	\$ 957,907	\$ 32,609	\$ 856,300	\$ 217,241	\$ 148,243
Interest on debt	65,481	-	-	-	(65,481)
Total governmental activities	<u>\$1,023,388</u>	<u>\$ 32,609</u>	<u>\$ 856,300</u>	<u>\$ 217,241</u>	<u>82,762</u>
General revenues:					
Hotel-motel tax					572,356
Interest and investment earnings					1,887
Miscellaneous					<u>5,120</u>
Total general revenues					<u>579,363</u>
Change in net assets					662,125
Net assets - October 1, 2011					<u>3,876,807</u>
Net assets - September 30, 2012					<u>\$ 4,538,932</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Tourism and Economic Growth Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified by law.

Debt Service Fund

Economic Development Bonds, Sinking Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Projects Fund

Economic Development Bonds, Project Fund

The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Balance Sheet
Governmental Funds
September 30, 2012

	General	Tourism and Economic Growth	Economic Development Bonds, Sinking	Economic Development Bonds, Project	Total Governmental Funds
ASSETS					
Assets:					
Cash and interest bearing deposits	\$ 228,174	\$ 663,538	\$ 4,404	\$ 8,495	\$ 904,611
Investments	692,073	165,675	-	7	857,755
Receivables	2,000				2,000
Due from other governments	118,914	-	-	-	118,914
Prepaid expenditures	<u>1,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,778</u>
Total assets	<u>\$1,042,939</u>	<u>\$ 829,213</u>	<u>\$ 4,404</u>	<u>\$ 8,502</u>	<u>\$ 1,885,058</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 38,793	\$ -	\$ -	\$ 202,318	\$ 241,111
Accrued liabilities	5,431	-	-	-	5,431
Retainage payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,796</u>	<u>175,796</u>
Total liabilities	<u>44,224</u>	<u>-</u>	<u>-</u>	<u>378,114</u>	<u>422,338</u>
Fund balances:					
Nonspendable	1,778	-	-	-	1,778
Restricted		829,213	4,404	-	833,617
Unassigned (deficit)	<u>996,937</u>	<u>-</u>	<u>-</u>	<u>(369,612)</u>	<u>627,325</u>
Total fund balances	<u>998,715</u>	<u>829,213</u>	<u>4,404</u>	<u>(369,612)</u>	<u>1,462,720</u>
Total liabilities and fund balances	<u>\$1,042,939</u>	<u>\$ 829,213</u>	<u>\$ 4,404</u>	<u>\$ 8,502</u>	<u>\$ 1,885,058</u>

(continued)

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Balance Sheet (continued)
Governmental Funds
September 30, 2012

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balances for governmental funds at September 30, 2012 \$ 1,462,720

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of

Land	\$ 135,163	
Construction in progress	4,164,676	
Building and improvements, net of accumulated depreciation	142,407	
Improvements other than buildings, net of accumulated depreciation	156,391	
Furniture and equipment, net of accumulated depreciation	2,109	
Exhibits and kiosks, net of accumulated depreciation	<u>14,857</u>	4,615,603

Bond issue costs are deferred and amortized over the life of the related debt and therefore are not reported as other assets in the funds:

Bond issuance costs	30,080	
Accumulated amortization	<u>(13,622)</u>	16,458

Noncurrent liabilities, including bonds payable, not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(1,530,000)	
Accrued interest payable	<u>(25,849)</u>	<u>(1,555,849)</u>

Net assets at September 30, 2012 \$ 4,538,932

The accompanying notes are an integral part of the financial statements.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2012

	General	Tourism and Economic Growth	Economic Development Bonds, Sinking	Economic Development Bonds, Project	Total Governmental Funds
Revenues:					
Local sources-					
Advertising and promotion	\$ 6,840	\$ -	\$ -	\$ -	\$ 6,840
Expeditions and tours	33,269	-	-	-	33,269
Intergovernmental	227,149	717,703	-	109,538	1,054,390
Hotel/Motel tax	572,356	-	-	-	572,356
Interest income	1,076	731	1	79	1,887
Miscellaneous income	10,938	5,833	-	-	16,771
Total revenues	<u>851,628</u>	<u>724,267</u>	<u>1</u>	<u>109,617</u>	<u>1,685,513</u>
Expenditures:					
Current -					
Culture and tourism					
Advertising and promotion	408,600	134,537	-	-	543,137
Professional fees	110,469	-	-	2,372	112,841
Office expense	39,093	25	-	240	39,358
Repairs and maintenance	12,916	-	-	-	12,916
Salaries and related benefits	200,719	-	-	-	200,719
Travel and conventions	16,947	-	-	-	16,947
Utilities	14,435	-	-	-	14,435
Capital outlay	-	-	-	1,277,008	1,277,008
Debt service -					
Principal and interest	-	-	225,686	-	225,686
Total expenditures	<u>803,179</u>	<u>134,562</u>	<u>225,686</u>	<u>1,279,620</u>	<u>2,443,047</u>
Excess (deficiency) of revenues over expenditures	<u>48,449</u>	<u>589,705</u>	<u>(225,685)</u>	<u>(1,170,003)</u>	<u>(757,534)</u>
Other financing sources (uses):					
Transfers in	-	-	225,630	724,134	949,764
Transfers out	-	(949,764)	-	-	(949,764)
Total other financing sources (uses)	<u>-</u>	<u>(949,764)</u>	<u>225,630</u>	<u>724,134</u>	<u>-</u>
Net change in fund balances	48,449	(360,059)	(55)	(445,869)	(757,534)
Fund balances, beginning	<u>950,266</u>	<u>1,189,272</u>	<u>4,459</u>	<u>76,257</u>	<u>2,220,254</u>
Fund balances (deficit), ending	<u>\$998,715</u>	<u>\$ 829,213</u>	<u>\$ 4,404</u>	<u>\$ (369,612)</u>	<u>\$ 1,462,720</u>

(continued)

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Governmental Funds
Year Ended September 30, 2012

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Total net changes in fund balance for the year ended September 30, 2012 per Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ (757,534)</u>
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	1,277,008
Depreciation expense for the year ended September 30, 2012	<u>(17,554)</u>
	<u>1,259,454</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities

Principal payment	160,000
Change in accrued interest	2,518
Bond issue cost amortized	<u>(2,313)</u>
	<u>160,205</u>

Total changes in net assets for the year ended September 30, 2012 per Statement of Activities	<u><u>\$ 662,125</u></u>
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The accompanying notes are an integral part of the financial statements.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The St. Mary Parish Tourist Commission (the Commission) was created and established on October 23, 1991 by Ordinance 1151 of the St. Mary Parish Council under authority of Act 19 of the Louisiana Legislature of 1975, to be effective February 1, 1992. The Commission is comprised of nine directors, appointed by the St. Mary Parish Council for terms of three years, with three appointments expiring each year, and who serve without compensation. The Commission was formed for the purpose of promoting tourism within the Parish of St. Mary. The Commission has the authority to sue and be sued, to accept grants or donations of every type, to make capital improvements for the purpose of obtaining federal funds, to do all things necessary for promotion, advertisement and publication of information relating to tourist attractions within its jurisdiction. Act 19 as amended, authorized the governing authority of St. Mary Parish to levy and collect a tax not to exceed 4% of the rent or fee for the occupancy of hotel rooms, motel rooms, and overnight camping facilities within the jurisdiction of the Commission to fund the operations of the Commission.

The accounting and reporting policies of the Commission conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The St. Mary Parish Council appoints a voting majority of the Commission's governing body and can impose its will on the Commission. Based on criterion applied, the Commission is a component unit of the Parish of St. Mary. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the St. Mary Parish Council, the general government services provided by the Council, or the other governmental units that comprise the financial reporting entity for St. Mary Parish, Louisiana.

The Commission has no entities or organizations that are required to be included in its financial report as defined by Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the Commission. The effect of interfund activity has been removed from these statements. Both the government-wide and the fund financial statement categorize primary activities as governmental.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Commission as a whole. These statements include all the financial activities of the Commission. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Commission, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The Commission uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Commission functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Commission or its total assets, liabilities, revenues or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The general fund, the capital project fund, and debt service fund of the Commission are considered to be major funds. The funds of the Commission are described below:

Governmental Funds –

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Commission:

General Fund

The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Tourism and Economic Growth Special Revenue Fund

The Fund is used to account for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified by law.

Economic Development Bonds, Debt Service Sinking Fund

The Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Economic Development Bonds, Capital Projects Fund

The Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Hotel/Motel occupancy taxes are recognized in the year when the underlying exchange takes place. Grants and similar items are recognized as revenues in the year for which they are earned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities for the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Hotel/Motel tax revenue is recognized both when the underlying exchange takes place and in the accounting period in which the revenue becomes susceptible to accrual, when it is measurable and available. Interest income is recorded when received by the Commission.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

D. Capital Assets

All capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	10-40 years
Improvements other than buildings	10-30 years
Furniture and fixtures	5-12 years
Equipment	5-12 years

E. Interfund Transfers

Permanent allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between governmental funds have been eliminated.

F. Vacation and Sick Leave

It is the policy of the Commission to allow full-time employees no more than five unused vacation days to be carried over to the following calendar year or to be paid in full at the end of that calendar year. At September 30, 2012 unrecorded liability for accumulated vacations is not material. Upon termination, an employee will be paid for any unused accumulated vacation leave. The Commission allows employees to accumulate earned but unused sick leave benefits. Sick leave is not payable at termination of employment.

G. Interest-Bearing Deposits

Interest bearing deposits include demand deposits, money market accounts and time deposits, which are stated at cost.

H. Investments

Under state law, the Commission may invest in Louisiana Asset Management Pool (LAMP), United States bonds, treasury notes, or certificates. Investments are stated at cost.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

I. Equity Classifications

Government-wide financial statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, certificates of indebtedness, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund financial statements

Fund balance for the Commission's governmental funds is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for the Commission. Commitments may be established, modified, or rescinded only through formal actions of the Board of Commissioners.
4. Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Commission's policy, only the Board of Commissioners may assign amounts for specific purposes.
5. Unassigned - amounts that are available for any purpose.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment or assignment actions.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

(2) Cash and Interest-bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. September 30, 2012, the Commission has cash and interest-bearing deposits (book balances) totaling \$904,611 as follows:

Cash on hand	\$ 100
Demand deposits	865,106
Interest-bearing deposits	<u>39,405</u>
Total	<u>\$ 904,611</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2012, the Commission has \$890,165 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance and are, therefore, not exposed to custodial credit risk.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

(3) Investments

Investments held at September 30, 2012 consist of \$857,755 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

Credit risk – LAMP is rated AAAm by Standard & Poor's.

Custodial credit risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk – not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

(4) Due From Other Governmental Units

Hotel/Motel tax revenues and receivables are recognized when the underlying exchange (room rental) takes place. Receivables due from other governments at September 30, 2012 were recognized by the following governmental funds:

General Fund:

Due from St. Mary Parish Sales and Use Tax Dept \$ 118,914

(5) Capital Assets

Capital assets and depreciation activity as of and for the year ended September 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 135,163	\$ -	-	\$ 135,163
Construction in progress	<u>2,887,668</u>	<u>1,277,008</u>	-	<u>4,164,676</u>
Total not being depreciated	<u>3,022,831</u>	<u>1,277,008</u>	-	<u>4,299,839</u>
Capital assets being depreciated:				
Buildings and improvements	254,940	-	-	254,940
Improvements other than buildings	172,628	-	-	172,628
Furniture and office equipment	49,581	-	-	49,581
Exhibits and kiosks	<u>19,809</u>	-	-	<u>19,809</u>
Total being depreciated	<u>496,958</u>	-	-	<u>496,958</u>
Less accumulated depreciation:				
Buildings and improvements	(104,291)	(8,242)	-	(112,533)
Improvements other than buildings	(8,469)	(7,768)	-	(16,237)
Furniture and office equipment	(46,919)	(553)	-	(47,472)
Exhibits and kiosks	<u>(3,961)</u>	<u>(991)</u>	-	<u>(4,952)</u>
Total accumulated depreciation	<u>(163,640)</u>	<u>(17,554)</u>	-	<u>(181,194)</u>
Capital assets, net	<u>\$ 3,356,149</u>	<u>\$ 1,259,454</u>	<u>\$ -</u>	<u>\$ 4,615,603</u>

Depreciation expense in the amount of \$17,554 was charged to culture and tourism.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

In May, 2003, the Commission authorized the design and construction of a Welcome Center and Interpretive Facility (the "Welcome Center") with construction of the Welcome Center beginning in October, 2010. On June 14, 2012, as construction was in progress and nearing completion, the Welcome Center's pile-driven foundation failed causing the structure to settle approximately five feet. While the structure remained intact, the settling resulted in significant damage to the foundation and several aspects of the building's construction. Subsequent evaluations by architects and structural and geotechnical engineers determined that the cost to lift the structure and repair the damage to the foundation and building was substantially less than the costs of demolition of the damaged structure and reconstruction. The total costs to lift the structure and repair the damage to the foundation and building is estimated at \$3,360,782. In January, 2013, a settlement agreement was reached concluding all claims between all parties involved in the design and construction of the Welcome Center. As provided in the agreement, the Commission will receive \$3,100,782 from all parties involved in the initial design and construction of the Welcome Center to lift the structure and repair the damage to the foundation and building so that all appearances, finishes and functions conform to the original plans for the Welcome Center. Also, as provided in the agreement, the Commission is responsible for the remaining \$260,000 which is equal to the Commission's remaining responsibility under the original design and construction agreements. All work necessary to lift the structure, repair the damage to the foundation and building, and finalize construction to conform to the original plans for the Welcome Center is estimated to be completed in June, 2013.

The damages sustained by the Welcome Center are an impairment under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, however, since the impairment is temporary, the requirement to recognize a loss from the decline in service utility of the Welcome Center does not apply. Accordingly, the actual costs expended by the Commission associated with the original design and construction of the Welcome Center remains in construction in progress.

(6) Interfund Activity

	Transfers in	Transfers out
Tourism and Economic Growth Fund	\$ -	\$ 949,764
Economic Development Bonds, Series 2004 Sinking Fund	225,630	-
Economic Development Bonds, Project	<u>724,134</u>	<u>-</u>
Total	<u>\$ 949,764</u>	<u>\$ 949,764</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

(7) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2012. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

(8) Retirement Plan

All Commission employees are covered under the Federal Insurance Contribution Act (Social Security). In addition, qualified employees also belong to a SEP/IRA Retirement Plan. The Commission contributed 10% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account for the year ended September 30, 2012. The Commission's contributions to the above plans totaled approximately \$12,352, \$12,612, and \$11,909 for the years ended September 30, 2012, 2011, and 2010, respectively. There were no unfunded contributions at year-end.

(9) Long-Term Debt

The following is a summary of long-term liability transactions of the Commission for the year ended September 30, 2012:

	10/1/2011	Additions	Payments	9/30/2012	One Year
Economic development bonds-					
Series 2004	\$ 1,140,000	\$ -	\$ 110,000	\$ 1,030,000	\$ 110,000
Series 2009	550,000	-	50,000	500,000	55,000
Total economic development bonds	<u>1,690,000</u>	<u>-</u>	<u>160,000</u>	<u>1,530,000</u>	<u>165,000</u>

The Commission issued \$1,700,000 Economic Development Bonds, Series 2004, during November 2004. The bonds were issued for the purpose of (i) constructing, equipping and furnishing a new welcome center; (ii) constructing the Atchafalaya Golf Course at Idlewild; and (iii) paying the costs of issuance of the bonds. Bond principal matures in varying annual amounts from 2006 to 2020; interest is payable on a semi-annual basis at interest rates varying from 2.70% to 4.6% per annum. Those bonds maturing on or after November 1, 2012 are callable for redemption in full, or in part, any time after November 1, 2011. The bonds are secured by and payable from a pledge and dedication of the excess annual revenues of the Commission.

The Commission also issued \$600,000 Economic Development Bonds, Series 2009, during October 2009. The bonds were issued for the purpose of the costs of constructing, equipping and furnishing a new welcome center. Bond principal matures in varying annual amounts from 2009 to 2019; interest is payable on a semi-annual basis at an interest rate of 3.72% per annum. Those bonds maturing on November 1, 2013, and thereafter, are callable for redemption in full, or in part, any time on or after November 1, 2012. The bonds are secured by and payable from a pledge and dedication of the excess annual revenues of the Commission.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

Debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	165,000	59,387	224,387
2014	170,000	52,840	222,840
2015	180,000	45,882	225,882
2016	185,000	38,535	223,535
2017	195,000	30,823	225,823
2018-2020	<u>635,000</u>	<u>41,490</u>	<u>676,490</u>
Totals	<u>1,530,000</u>	<u>268,957</u>	<u>1,798,957</u>

(10) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds are presented as follows:

	<u>General</u>	<u>Tourist and Economic Growth</u>	<u>Economic Development Bonds, Sinking</u>	<u>Economic Development Bonds, Project</u>	<u>Total</u>
Fund balances:					
Nonspendable -					
Prepaid items	\$ 1,778	\$ -	\$ -	\$ -	\$ 1,778
Restricted for -					
Culture and tourism	-	829,213	-	-	829,213
Debt service	-	-	4,404	-	4,404
	<u>-</u>	<u>829,213</u>	<u>4,404</u>	<u>-</u>	<u>833,617</u>
Unassigned	996,937	-	-	(369,612)	627,325
Total fund balances	<u>\$ 998,715</u>	<u>\$ 829,213</u>	<u>\$ 4,404</u>	<u>\$ (369,612)</u>	<u>\$ 1,462,720</u>

The Economic Development Bonds, Project Fund has an unassigned deficit fund balance of \$369,612. The deficit is expected to be eliminated by transfers from the Tourism and Economic Growth Fund and the receipt of future grant proceeds.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

(11) State Appropriated Monies

As provided by the Louisiana Revised Statute 47:302.44 and 47:301(14) (a), the Louisiana State Treasury has created the St. Mary Parish Visitor Enterprise Fund. This fund shall be funded from the excess of sales taxes generated from the hotel/motel industry after all bond obligations of the State have been paid.

The monies in the St. Mary Parish Visitor Enterprise Fund shall be subject to an annual appropriation by the legislature and shall be available exclusively for use by the Commission to fund the development of tourism and other economic growth projects within the parish of St. Mary. All unexpended and unencumbered monies in the fund shall remain in the fund. The monies in the fund shall be invested by the state treasurer in the same manner as the monies in the State of Louisiana general fund, and all interest earned shall be deposited into the state general fund.

For the state fiscal year June 30, 2012 the legislature approved an appropriation in the amount of \$225,000 to the Commission for the St. Mary Parish Visitor Enterprise Fund. The Board of Commissioners has developed guidelines to administer the spending of these funds by the Commission in accordance with the restricted purposes as specified by law. The Commission is accounting for these funds in a special revenue fund.

(12) Compensation of Board Members

Board members for the year ended September 30, 2012 served without compensation and are as follows:

Kim Walden, Chairman
Dale Rogers, Vice Chairman
Sandra Marshall, Secretary
Nelson Cortez, Treasurer
Al Kuhlman
Stan Robison
Don Domino
Henry Lee
Kristy Touns

(13) New Accounting Pronouncement

In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provisions of GASB No. 63 must be implemented by the Commission for the year ending September 30, 2013. The effect of implementation on the Commission's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Local Sources-				
Advertising and promotion	\$ -	\$ 6,850	\$ 6,840	\$ (10)
Expeditions and tours	15,000	33,125	33,269	144
Hotel/Motel tax	432,000	558,000	572,356	14,356
Intergovernmental	-	229,323	227,149	(2,174)
Interest income	1,000	1,000	1,076	76
Miscellaneous income	10,000	3,500	10,938	7,438
Total revenues	<u>458,000</u>	<u>831,798</u>	<u>851,628</u>	<u>19,830</u>
Expenditures:				
Current -				
Culture and tourism				
Advertising and promotion	183,210	418,376	408,600	9,776
Professional fees	6,400	109,270	110,469	(1,199)
Office expense	45,533	42,951	39,093	3,858
Repairs and maintenance	14,660	13,151	12,916	235
Salaries and related benefits	210,554	202,128	200,719	1,409
Travel and conventions	14,700	17,436	16,947	489
Utilities	14,840	14,004	14,435	(431)
Capital outlay	3,000	-	-	-
Total expenditures	<u>492,897</u>	<u>817,316</u>	<u>803,179</u>	<u>14,137</u>
Excess (deficiency) of revenues over expenditures	(34,897)	14,482	48,449	33,967
Other financing sources:				
Transfers in	<u>34,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	14,482	48,449	33,967
Fund balance, beginning	<u>950,266</u>	<u>950,266</u>	<u>950,266</u>	<u>-</u>
Fund balance, ending	<u>\$ 950,266</u>	<u>\$ 964,748</u>	<u>\$ 998,715</u>	<u>\$ 33,967</u>

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Budgetary Comparison Schedule
Tourism and Economic Growth Fund
Year Ended September 30, 2012

	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local Sources-				
Intergovernmental	\$ 296,390	734,850	717,703	\$ (17,147)
Interest income	2,000	700	731	31
Miscellaneous income	-	-	5,833	5,833
Total revenues	<u>298,390</u>	<u>735,550</u>	<u>724,267</u>	<u>(11,283)</u>
Expenditures:				
Current -				
Culture and tourism				
Advertising and promotion	70,000	90,006	134,537	(44,531)
Office expense	275	50	25	25
Repairs and maintenance	1,539	-	-	-
Capital outlay	<u>226,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>298,390</u>	<u>90,056</u>	<u>134,562</u>	<u>(44,506)</u>
Excess of revenues over expenditures	-	645,494	589,705	(55,789)
Other financing uses:				
Transfers out	<u>-</u>	<u>(980,112)</u>	<u>(949,764)</u>	<u>30,348</u>
Net change in fund balances	-	(334,618)	(360,059)	(25,441)
Fund balance, beginning	<u>1,189,272</u>	<u>1,189,272</u>	<u>1,189,272</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,189,272</u></u>	<u><u>\$ 854,654</u></u>	<u><u>\$ 829,213</u></u>	<u><u>\$ (25,441)</u></u>

See accompanying notes to Budgetary Comparison Schedules

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Notes to Budgetary Comparison Schedules

(1) Basis of Accounting

The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Commission.

(2) Budgets and Budgetary Accounting

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director of the Commission prepares a proposed budget for the general and special revenue funds and submits them to the board for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. The Commission approves and adopts total budget revenue and expenditures only. The Commission transfers budget amounts between expenditure classifications within the General and Special Revenue Funds.
5. All budgetary appropriations lapse at the end of each fiscal year.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA

Wanda F. Arcement, CPA,CVA
Allen J. LaBry, CPA
Albert R. Leger, CPA,PFS,CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC®
James R. Roy, CPA
Robert J. Metz, CPA
Alan M. Taylor, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Kristin B. Dauzat, CPA
Matthew E. Margaglio, CPA
Jane R. Hebert, CPA
Bryan K. Joubert, CPA
Stephen J. Anderson, CPA
W. Jeffrey Lowry, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Tynes E. Mixon, Jr., CPA 2011

* A Professional Accounting Corporation

OFFICES

183 South Beadle Rd. Lafayette, LA 70508 Phone (337) 232-4141 Fax (337) 232-8660	450 East Main Street New Iberia, LA 70560 Phone (337) 367-9204 Fax (337) 367-9208
---	--

113 East Bridge St. Breaux Bridge, LA 70517 Phone (337) 332-4020 Fax (337) 332-2867	200 South Main Street Abbeville, LA 70510 Phone (337) 893-7944 Fax (337) 893-7946
--	--

1234 David Dr. Ste 203 Morgan City, LA 70380 Phone (985) 384-2020 Fax (985) 384-3020	1013 Main Street Franklin, LA 70538 Phone (337) 828-0272 Fax (337) 828-0290
---	--

408 West Cotton Street Ville Platte, LA 70586 Phone (337) 363-2792 Fax (337) 363-3049	133 East Waddil St. Marksville LA 71351 Phone (318) 253-9252 Fax (318) 253-8681
--	--

332 West Sixth Avenue Oberlin, LA 70655 Phone (337) 639-4737 Fax (337) 639-4568	1428 Metro Drive Alexandria, LA 71301 Phone (318) 442-4421 Fax (318) 442-9833
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WEB SITE
WWW.KCSRCPAS.COM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners
St. Mary Parish Tourist Commission
Patterson, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the St. Mary Parish Tourist Commission (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of audit results and findings as items 2012-1 and 2012-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Commissioners, management and others within the organization, the St. Mary Parish Council and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 27, 2013

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2012

Part I. Summary of Auditor's Results:

Unqualified opinions were issued on the financial statements of the Commission's governmental activities and each major fund.

Material weaknesses in internal control were disclosed by the audit of the financial statements.

No instances of noncompliance which are material to the financial statements and required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2012-1 – Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2012

2012-2 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: An entity's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance Finding-

There were no findings reported under this section.

Part III: Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the Commission.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012

A. Internal Control –

2011-1 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2012-1.

B Compliance –

There were no findings previously reported under this section.

C. OMB A-133 –

This section was not applicable.

ST. MARY PARISH TOURIST COMMISSION
Patterson, Louisiana

Corrective Action Plan For Current Year Findings
Year Ended September 30, 2011

2012-1 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not considered necessary.

2012-2 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The financial reporting process will continue to be outsourced to the Commission's external auditors due to the increased costs necessary to correct the condition.